

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6251

BILL NUMBER: SB 64

NOTE PREPARED: Nov 15, 2007

BILL AMENDED:

SUBJECT: Public Employees' Retirement Fund Multiplier.

FIRST AUTHOR: Sen. Rogers

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that the multiplier used in calculating pension benefits for members of the Public Employees' Retirement Fund (PERF) who retire after June 30, 2008, is increased from 1.1% to 1.8%.

Effective Date: July 1, 2008.

Explanation of State Expenditures: The estimated impact on PERF is provided in the following table.

Impact on PERF			
	State	Municipalities	Total
Increase in Unfunded Accrued Liability	\$1,388.8 M	\$1,932 M	\$3,320.8 M
Increase in Annual Cost	\$165.2 M	\$252 M	\$417.2 M
Increase in Annual Cost as % of Payroll	10.36%	9.80%	10.08%

The increase in the multiplier will also result in a decrease in funded status of the fund from 97.6% to 75.7%.

The increase of \$165.2 M in annual funding will be paid from the state General Fund (55%), or \$90.86 M, and various dedicated funds (45%), or \$74.34 M. The percentage split represents the split for personal services in the state budget.

Explanation of State Revenues:

Explanation of Local Expenditures: See table in *Explanation of State Expenditures*.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Local units with members in PERF.

Information Sources: Doug Todd of McCready & Keane, Inc., actuaries for PERF, 317-576-1508.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS

Funded Status- The relationship of the assets of a pension plan to its liabilities.

Unfunded Actuarial Liability -The actuarial liability, sometimes called the unfunded liability, of a retirement system at any time is the excess of its actuarial liability at that time over the value of its cash and investments.